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C O N F I D E N T I A L SECTION 01 OF 05 NEW DELHI 001325

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DEPT. FOR SCA, EAP, EB, AND AF

E.O. 12958: DECL: 03/18/2017

TAGS: [PREL](#) [PGOV](#) [PINR](#) [IN](#) [CH](#) [ECON](#) [ENRG](#) [EPET](#) [EAGR](#)

SUBJECT: INDIA FALLING SHORT OF POTENTIAL IN AFRICA,  
COMPETING WITH CHINA FOR RESOURCES AND INFLUENCE

NEW DELHI 00001325 001.2 OF 005

Classified By: Political Counselor Ted Osius for Reasons 1.4 (B, D)

¶1. (C) Summary. Indian strategic thinkers agree that China is leading India in involvement with Africa by almost all economic and political measures. Not only does China have a greater volume of bilateral trade with Africa, but China is also pouring development aid and concessional loans into Africa at levels that India can at best only fractionally match. India has a two million-strong diaspora in Africa and U.N. peacekeepers deployed in several countries, but otherwise has a markedly weak diplomatic presence in the continent. While many in India may wax philosophical about India's cultural, historical, and colonial linkages with Africa or find it difficult to operate in French-speaking environments, China apparently encounters few obstacles. Lacking any strategy or push for meaningful engagement with Africa, Indian strategists feel India is well behind China in any competition over Africa, real or existential, with little chance of catching up in the near-term. India's ambivalence and pessimism toward competing with China for the resources of the African continent belies its own stated aspirations to be a world power in the near- or long-term. End summary.

India in Africa: The Aid Numbers  
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¶2. (U) India's level of trade with Africa stood at \$9.14 billion in 2005, with 68% of that purely with South Africa. (Note: By comparison, two-way U.S.-Africa trade was \$60.6

billion in 2005. End note.) India has shown a desire to pursue a free trade agreement (FTA) with the Southern African Customs Union. However, given the pace of India's other FTA negotiations and the fact that GOI negotiators are already stretched thin in discussions with the EU, ASEAN, Japan, and others, little movement can be expected on this initiative in the foreseeable future. In terms of official assistance to Africa, the Export-Import Bank of India has extended over \$550 million in lines of credit to sub-Saharan Africa, of which \$250 million was earmarked for the Economic Community of West African States (ECOWAS) Bank for Investment and Development in May 2006. The Bank has also offered lines of credit to several countries directly, such as \$102 million to Ghana, \$31 million to Burkina Faso, \$27 million to Cote d'Ivoire, and \$20 to Mozambique. India's Techno-Economic Approach for Africa-India Movement (TEAM-9) initiative (with ten participants, actually: India, Burkina Faso, Chad, Cote d'Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali, Niger, and Senegal) has a \$500 million concessional credit facility for African member countries. The largest projects include \$30 million for rural electrification in Ghana and \$15 million for drinking water in Equatorial Guinea.

#### Investment, Peacekeeping, and Diaspora

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13. (U) India is active in Africa in other ways besides developmental assistance and loans. The Tata Group operates in eight different African nations and has a stake in South Africa's telecommunications industry. In 2003, India's Oil and Natural Gas Corporation (ONGC) purchased a 25% stake in Greater Nile Petroleum Oil Company in Sudan for \$750 million. A 2005 attempt by ONGC to buy a 45% stake in Nigeria's Akpo Field (valued over \$2 billion) was blocked by the Indian government as being "too risky," and was subsequently

NEW DELHI 00001325 002.2 OF 005

purchased by the Chinese. India is contributing about 1,400 military personnel to U.N. peacekeeping operations in Eritrea and Ethiopia and 3,000 troops in the Democratic Republic of Congo. In addition, there is an estimated two million-strong Indian diaspora throughout Africa as a legacy of India's shared colonial heritage with many African nations.

#### India Versus China: No Contest

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14. (U) India's Africa and China watchers alike, who bemoan China's rising influence in Africa, note that China-Africa levels of bilateral trade quadrupled to \$40 billion between 2000 and 2005. In 2005, China overtook the U.K. to become Africa's third largest trading partner behind the U.S. and France. China's oil imports from Africa (primarily Nigeria, Sudan, Angola, and Equatorial Guinea) account for 30% of China's external oil dependence, with Angola as China's top supplier since 2006. By mid-2006, Chinese foreign direct investment in Africa totaled \$1.18 billion. In 2000, China wrote off \$1.2 billion of African countries, debt, and pledged yet another \$750 million in write-offs in 2003. The Chinese Export-Import Bank has an accumulated commitment of \$800 million in concessional loans for 55 projects spread between more than twenty different African nations. China committed \$8.1 billion in loans to Nigeria, Angola, and Mozambique in 2006 alone.

#### Competition with China Denied, Yet Already Underway

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15. (C) Poloff spoke with Paramjit Mann, MEA Director for West Africa, on March 9. Mann said that some in the media and academia inaccurately talk about opportunities for India and China in Africa as if it were the next "Gold Rush." He said that India was moving at its own pace on bilateral, regional, and pan-African levels, and not acting in any way "directly related" to China's moves. He continued, "India does not base its decisions on the level, speed, or methods

with which China is interacting with the African nations." He said that India had indeed proposed a large India-African Union summit well before the Forum on China-Africa Cooperation took place in Beijing in November 2006. A working group has been established to discuss an India-African Union summit, which is scheduled to meet for the first time during the week of March 12. He gave no prospective date as to when the actual summit might take place, however, saying, "It's extremely difficult to coordinate that many people's schedules."

¶6. (C) The Nigerian Embassy's Senior Political Counselor U.A. Gur also dismissed ideas of Indian-Chinese competition in Africa, but on different grounds--that India simply cannot compete. In a meeting with Poloff on March 13, Gur acknowledged that the Indians have had connections with Nigeria for decades while the Chinese came to Nigeria in only the last 10-15 years. He said that it is readily apparent that the Chinese are there solely to do business, and not otherwise "interfere." He found that whatever advantage India may have had in Nigeria twenty years ago has disappeared; "China has surpassed India and is so far ahead that India cannot keep up," he said.

¶7. (C) Prof. Sanjukta Banerjee of Jadavpur University,

NEW DELHI 00001325 003.2 OF 005

Kolkata said at an India-Africa seminar at New Delhi's Jawaharlal Nehru University (JNU) on February 22 that India and China are indeed competing for "more than a mere foothold" in Africa. Both are involved in infrastructure projects throughout Africa, but China has concentrated in extractive industries, thus making it the target of both Western and African criticism. She pointed to the presence of thousands of Chinese workers in Sudan since the mid-1990s as one example. Peacekeeping, long a specialty of India, is also being increasingly taken up by China after it deployed troops to Liberia in 2003. While India sees Africa as a platform to promote its U.N. Security Council seat bid, China is using its economic clout to coerce African nations into supporting the One-China Policy, she said. She added that only five African nations have not yet agreed, and thus remain ineligible for Chinese aid.

India Trying to Branch Out Through Technology and TEAM-9...

¶8. (C) Ever since January 2006, when National Security Advisory Board member C. Raja Mohan wrote an oft-quoted op-ed saying that India is "sleepwalking through new opportunities" in Africa, there has been growing awareness that India needs to do more to establish more meaningful economic and diplomatic ties with Africa. MEA Director Mann, whose office handles relations with 25 African nations with only six Indian embassies between them, said India has considered new embassies in more African countries; he provided no prospective locations or time frames, however.

¶9. (C) Mann lauded Indian efforts through the TEAM-9 (Techno-Economic Approach for Africa-India Movement) initiative. He emphasized that it allows India to deal with member countries (Burkina Faso, Chad, Cote d'Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali, Niger, and Senegal) on a bilateral level and use the \$500 million concessional credit facility to "focus on whatever those countries want." TEAM-9 loans have a span of twenty years--five-year moratorium, fifteen years of repayment--and avoid "India assisting with information-technology just because India is good at it." He viewed Niger's new membership in TEAM-9 (as of 2006) as a sign of "great appreciation" within Africa for the initiative. In addition to a plethora of development projects, Mann said India is also financing the construction of a presidential residence in Ghana. On the IT side, however, he mentioned the Pan-African e-Network, India's joint effort with African Union as a means of technological capacity building. India

is investing \$1 billion over five years in this project to connect select Indian universities and hospitals with African counterparts with high-speed telecommunications links throughout 53 African nations. The African Union is currently developing a plan to sustain the program's operations beyond India's five-year commitment, he said.

¶10. (C) Dinkar Khullar, MEA Joint Secretary (West Africa), called the cooperation with the West African TEAM-9 member countries "significant," and said that of the \$500 million committed so far, already \$280 million is being used in current projects. What was a "small initiative in 2004" has been a great success, and now Gambia, Central African Republic, and several other nations are interested in participating, he said. Khullar called it a gratifying trend

NEW DELHI 00001325 004.2 OF 005

that many high-profile visitors from India are traveling to Africa, and not just from the energy sector, but also from the transportation (railroad), financial, and IT industries. He highlighted Indian agricultural assistance, humanitarian schemes and these visits as "signs that relations will be upgraded in the future." Not to overlook the pragmatic, however, he said that Africa's hydrocarbons, minerals, and other resources are not only of interest to India, but also China.

...But Falling Short Because of Linguistic and Domestic Considerations

¶11. (C) The Joint Secretary then addressed the political context of India's relationship with Africa. Countries that were once "lukewarm" in supporting India's bid for a permanent seat on U.N. Security Council are now becoming "more supportive." He said that the sub-Saharan member countries of the Organization of the Islamic Conference (OIC) tend to be more moderate, which "may be useful" to India considering its differences of opinion with OIC over Kashmir. Saying that many African countries had long been unknown, or ignored by, Indian public servants, businesspeople, and academics, Khullar encouraged track-two diplomacy efforts targeted at Africa. He added that India lacks a substantial diaspora presence in western and central (francophone) Africa and thus India's diplomatic and economic pursuits have almost exclusively focused on the Commonwealth countries in Africa. "India has simply not done enough in French," he said.

¶12. (C) Former MEA Foreign Secretary Shashank, however, took a more pessimistic view of India's relations with Africa vis--vis China and directed blame at India's domestic considerations. Like India, the African nations emerged from colonization, but unlike India, many have not succeeded and been "let down" by India's lack of leadership and involvement. While India kept away from Africa, others crowded in, he said. "The Chinese can offer billions of dollars right now, but India cannot do that. There would be a huge outcry in India if it showered money on special, privileged groups throughout Africa. India must consider its interests in the long run; but how does the Indian government interest Indian companies and banks in forming partnerships in Africa?" he asked. Continuing his comparison with China, he said that African nations are reluctant to cast their lot completely with China because of their collective fear of renewed colonialism. Yet they realize that India cannot do much, he warned. Prof. Sanjukta Banerjee added, however, "In the very least, people in Africa and elsewhere question Chinese motives, but nobody worries about India."

India's Windows of Opportunity Closing?

¶13. (C) Nigerian Embassy Counselor Gur said that his country could learn from the experiences and expertise of Indians, particularly as India is a multi-ethnic, multi-lingual nation, like Nigeria, with a thriving

manufacturing sector, unlike Nigeria. He lamented that Nigeria relies on imports for many manufactured goods, while India has built up a level of self-sufficiency, e.g. having several automobile manufacturing companies. Gur found that Chinese companies are doing much to bolster Nigeria's

NEW DELHI 00001325 005.2 OF 005

construction, food, and oil industries, but that occurs without any transfer of technology and little transfer of wealth. Indeed, Chinese products, such as low-cost textiles and garments, are putting Nigerian companies out of business, which contributes to the growing problem of unemployment in Nigeria. Gur saw opportunities for India to be helpful in the areas of IT, agriculture, and automobile production--all areas in which he saw India as successful.

¶14. (C) Dr. Vandita Ray of Jamia Millia Islamia University, New Delhi still sees India as having a window opportunity "before China closes it." She said Africa had become "marginalized" by the developed countries, which "did little really to help the continent." She criticized the Indian government for making language barriers an excuse for not pursuing wider engagement with Africa. African nations have started to look towards other "South" countries, however, India being chief among them. She recommended that India use its skills in the agricultural sector to help diversify African crops and expertise in IT to lessen Africa's technology gap with the rest of the world. She warned, and former MEA Foreign Secretary Shashank concurred, that if India does not play to its strengths in Africa soon, then China will encroach even there.

Comment: India May Have A Silver Lining, But Lacks Strategy

¶15. (C) Comment: To meet its own stated aspirations to be a political and economic world power, India's active engagement with Africa should be a no-brainer. Yet there appears to be a significant disconnect between Indians' own perceptions about what they can do and they are doing to bolster ties. India's IT expertise and common cultural and linguistic heritage with some African nations may be its silver lining, but issues of language and culture differences have certainly not been insurmountable hurdles in the way of the Chinese. While MEA officials boast of success with Indian initiatives with Africa, Jadavpur University's Prof. Banerjee complained that African heads of state are still not being taken seriously within MEA. It is just as well that MEA officials say India and China are not competing, because even African diplomats are saying that China is too far ahead. As Mauritius Ambassador to India M. Choonee also told the audience at the February 22 JNU event: "India simply cannot compete economically with China in Africa as things are."

¶16. (C) A better Indian strategy toward India-Africa relations would benefit the United States. As a rising, stable, and open democracy, India has "street creds" with many African countries. At the same time, India offers a better role model for governance than some others who court the continent. An India more proactively engaged with Africa while remaining cognizant of human rights and other humanitarian concerns in Africa would provide the U.S. a valuable partner for African initiatives in the long-run, particularly given India's advanced position in the IT, agricultural, and pharmaceutical industries. As the U.S. seeks ways to leverage the global partnership with India, Africa offers a potential opportunity to advance our shared values. End comment.

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